

Bermaz Auto (BAUTO MK)

Expecting Stronger Performance In 2QFY26

Highlights

- Anticipating turnaround in Bermaz's sales underpinned by new model launches and price revision strategy.
- Revised up FY26-27 forecasts by 2%/15% respectively after incorporating higher sales volume assumption.
- Upgrade to BUY with a higher target price of RM0.66 (previously RM0.55), pegged to 7x FY27F PE.

Analysis

- **1QFY26 results recap.** Bermaz Auto's (BAUTO) 1QFY26 core net profit declined by 61% qoq and 88% yoy to RM8.3m, with results deemed below our expectations. The weak set of results was mainly attributable to lower Mazda sales, which contracted by 14% qoq, and losses across its associates due to lower sales volume and higher production costs.
- **Turnaround in sales volume underpinned by new model launches.** We anticipate Bermaz posting sequentially stronger qoq performance in 2QFY26, with net profit coming in at RM15m-20m. This will be mainly driven by the improvement in sales volume following deliveries of Mazda CX-60 during the quarter. Our channel checks indicate that the run rate booking has increased to 1,500 units from 1,000 units in Sep 25. Current backlog order stands at 3,000 units for Mazda, largely comprised of orders for the new Mazda 3 (deliveries in 3QFY26) and CX-60, hence providing sales visibility throughout FY26. XPeng's sales are also anticipated to surge in 3QFY26 driven by forward purchases of EVs ahead of the expiry of its tax incentive.
- **Positive impact from Mazda's price revision.** The recent price adjustments for several Mazda models could enhance their competitiveness against other brands within their respective segment. Mazda CX-8, which received the largest price cut, saw its JPJ registration number in the Road Transport Department's data doubled in Oct 25 following the price revision. While the price cuts may result in some margin compression, the overall impact should remain positive as they help to stimulate demand for models nearing their end of product lifecycle.

Key Financials

Year to 30 Apr (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	3,911	2,622	2,195	2,207	2,197
EBITDA	473	249	156	173	172
Operating profit	446	222	126	144	144
Net profit (rep./act.)	356	163	90	110	114
Net profit (adj.)	356	163	90	110	114
EPS (sen)	30.6	14.0	7.7	9.5	9.8
PE (x)	1.8	4.0	7.3	5.9	5.7
P/B (x)	0.8	1.0	1.0	0.9	0.9
EV/EBITDA (x)	0.9	2.1	2.5	2.1	1.9
Dividend yield (%)	46.4	29.9	9.6	11.8	12.2
Net margin (%)	9.1	6.2	4.1	5.0	5.2
Net debt/(cash) to equity (%)	-37.1	-31.7	-51.2	-53.7	-56.4
Interest cover (x)	n.a.	n.a.	52.0	57.7	57.4
ROE (%)	45.1	23.0	12.4	14.9	15.0
Consensus net profit	-	-	74	94	104
UOBKH/Consensus (x)	-	-	1.21	1.17	1.09

Source: Bermaz Auto, Bloomberg, UOB Kay Hian

BUY (Upgraded)

Share Price	RM0.59
Target Price	RM0.66
Upside	11.8%
Previous TP	RM0.55

Analyst(s)

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Stock Data

GICS Sector	Industrials
Bloomberg ticker	BAUTO MK
Shares issued (m)	1,168
Market cap (RMm)	697.6
Market cap (US\$m)	168.5
3-mth avg daily t'over (US\$m)	0.8

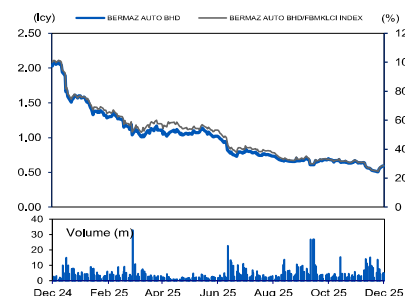
Price Performance (%)

Price Performance (%)				
52-week high/low			RM2.00/RM0.50	
1mth	3mth	6mth	1yr	YTD
(11.9)	(11.3)	(42.2)	(69.8)	(63.1)

Major Shareholders

	%
Dynamic Milestone Sdn Bhd	15.37
Amanah Saham Nasional Berhad	7.58
Lembaga Tabung Haji	6.87

Price Chart



Source: Bloomberg

Company Description

Bermaz Auto is involved in the distribution, assembling, retailing and also the provision of after sales service of Mazda vehicles in Malaysia. The group is also involved in distribution of locally assembled Mazda vehicles in Malaysia and the Philippines.

- **Ceased Kia's distributorship.** Bermaz has ceased to be the distributor of Kia vehicles in Malaysia following the reorganisation plan of its distribution network by the Korean carmaker. Kia accounted for approximately 6% of the group's sales volume and 8% of revenue in FY25. However, Kia's operations, through Dinamikjaya, were loss making in FY25, with sales declining over the past three years. Hence, we expect a net positive impact to Bermaz's earnings despite the potential loss of revenue by 8%. The company can now divert more resources towards strengthening its core business of Mazda, and expanding XPeng, which offers a better growth potential in the EV segment.
- **Raised sales assumptions supported by strong volume from new models.** We expect Bermaz's sales volume to improve in FY26 driven by Mazda 3 and CX-60 coupled with stronger demand for the completely knock-down (CKD) models following the price revision. The sales momentum is expected to continue in the following year and further boosted by contribution from the upcoming launch of the new CX-5 in FY27. Consequently, we have raised our sales assumption for FY26-27 to 10,500 units and 10,600 units respectively. Our revised sales forecasts are still below the company's target of 11,600 units in FY26.

Valuation/Recommendation

- **Upgrade to BUY with a higher target price of RM0.66 (previously RM0.55),** based on 7x P/E (-1 SD of its 5-year mean) of our revised FY27F forecasts. At the current valuation of 7x FY26F, we opine that downside risks have been priced in and given the expected improvement in earnings, we believe the stock is poised for a re-rating in the near term.
- **Sustained dividend with an above 8% yield.** We expect BAUTO to maintain a dividend payout of at least 60% backed by the company's strong net cash position and low capex requirement. Our forecasted DPS of 5.5sen/6.5sen for FY26-27 would translate into a compelling yield of above 8%.

Earnings Revision/Risk

- **We revised up our FY26-27 forecasts by 2%/15% respectively** after incorporating higher sales volume assumption. We also expect a slight expansion in the group's margin in FY27 as Kia's sales command a lower margin than Mazda.
- Key risk to our earnings forecast would be significant losses in the associate business, which has been the main drag in the recent 1QFY26 performance.

Share Price Catalyst

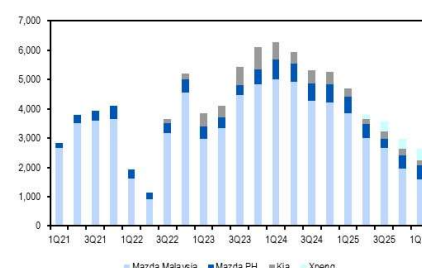
- Higher sales volume from Mazda and XPeng due to its refreshed line-up.
- Continued localisation of models in the Malaysian market.
- Lush dividend payout.

Key Assumptions

Financial Year	Malaysia (units)	Philippines (units)
2022	13,362	1,304
2023	19,688	1,682
2024	21,192	1,682
2025	13,687	1,779
2026F (new)	10,500	1,606
2027F (new)	10,600	1,591
2028F (new)	10,500	1,578
2026F (old)	10,377	1,606
2027F (old)	9,763	1,591
2028F (old)	9,064	1,578

Source: Bermaz Auto, UOB Kay Hian

Sales Volume By Brands



Source: Bermaz Auto, UOB Kay Hian

Environmental, Social And Governance (ESG) Updates

• Environmental

- BAUTO supports the Republic Act 11285 (Energy Efficiency and Conservation Act), which institutionalises energy efficiency and conservation as a national way of life.

• Social

- Mazda Medicare Fund dialysis programme channelled 100% of funds to charity.

• Governance

- Complies with Malaysian code on Corporate Governance which requires independent directors (4 out of 7) to comprise the majority of the board

Source: Bermaz Auto, UOB Kay Hian

Profit & Loss

Year to 30 Apr (RMm)	2025	2026F	2027F	2028F
Net turnover	2,622	2,195	2,207	2,197
EBITDA	249	156	173	172
Deprec. & amort.	27	30	29	28
EBIT	222	126	144	144
Associate contributions	12	2	9	15
Net interest income/(expense)	-3	-3	-3	-3
Pre-tax profit	231	125	150	156
Tax	-56	-30	-36	-37
Minorities	-12	-5	-4	-5
Net profit	163	90	110	114
Net profit (adj.)	163	90	110	114

Balance Sheet

Year to 30 Apr (RMm)	2025	2026F	2027F	2028F
Fixed assets	46	34	22	13
Other LT assets	330	344	365	390
Cash/ST investment	434	451	486	524
Other current assets	722	677	681	678
Total assets	1702	1651	1687	1727
ST debt	226	101	101	101
Other current liabilities	361	401	400	400
LT debt	0	0	0	0
Other LT liabilities	369	370	370	371
Shareholders' equity	657	684	717	751
Minority interest	91	96	100	105
Total liabilities & equity	1702	1651	1687	1727

Cash Flow

Year to 30 Apr (RMm)	2025	2026F	2027F	2028F
Operating	206	199	134	138
Pre-tax profit	231	125	150	156
Tax	-75	-30	-36	-37
Deprec. & amort.	27	31	30	29
Associates	-12	-2	-9	-15
Working capital changes	47	72	-4	2
Other operating cashflows	-12	3	3	3
Investing	70	-8	-8	-7
Capex (growth)	-10	-16	-16	-16
Investments	0	1	1	2
Proceeds from sale of assets	0	0	0	0
Others	79	7	7	7
Financing	-223	-197	-87	-90
Dividend payments	-345	-63	-77	-80
Issue of shares	3	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	163	-125	0	0
Others/interest paid	-44	-10	-10	-10
Net cash inflow (outflow)	53	-6	39	41
Beginning cash & cash equivalent	365	434	424	459
Changes due to forex impact	16	24	24	25
Ending cash & cash equivalent	434	451	486	524

Key Metrics

Year to 30 Apr (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	9.5	7.1	7.8	7.8
Pre-tax margin	8.8	5.7	6.8	7.1
Net margin	6.2	4.1	5.0	5.2
ROA	9.4	5.2	6.3	6.5
ROE	23.0	12.4	14.9	15.0
Growth				
Turnover	-33.0	-16.3	0.5	-0.5
EBITDA	-47.4	-37.4	11.1	-0.6
Pre-tax profit	-53.2	-46.0	20.4	3.8
Net profit	-54.1	-45.1	23.0	3.0
Net profit (adj.)	-54.1	-45.1	23.0	3.0
EPS	-54.1	-45.1	23.0	3.0
Leverage				
Debt to total capital	30.2	13.0	12.4	11.8
Debt to equity	34.4	14.8	14.1	13.5
Net debt/(cash) to equity	-31.7	-51.2	-53.7	-56.4
Interest cover (x)	n.a.	52.0	57.7	57.4

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